



FEDERAL ELECTION COMMISSION
Washington, DC 20463

APR 27 2015

Tyler Gaastra
Michigan Industrial Tools
3707 Roger B. Chaffee Drive SE
Grand Rapids, MI 49548

RE: MUR 6855
Michigan Industrial Tools, Inc.

Dear Mr. Gaastra:

On July 24, 2014, the Federal Election Commission notified your client of a complaint alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint was forwarded to your client at that time.

Upon further review of the allegations contained in the complaint and information supplied by your client, the Commission voted on April 21, 2015, to find no reason to believe that your client violated the Act, and to close the matter. The Factual and Legal Analysis, which more fully explains the Commission's decision, is enclosed for your information.

Documents related to the case will be placed on the public record within 30 days. See Statement of Policy Regarding Disclosure of Closed Enforcement and Related Files, 68 Fed. Reg. 70,426 (Dec. 18, 2003) and Statement of Policy Regarding Placing First General Counsel's Reports on the Public Record, 74 Fed. Reg. 66,132 (Dec. 14, 2009).

If you have any questions, please contact Peter Reynolds, the attorney assigned to this matter, at (202) 694-1650.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter G. Blumberg", with a long horizontal flourish extending to the right.

Peter G. Blumberg
Assistant General Counsel

Enclosure
Factual and Legal Analysis

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FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

RESPONDENT: Michigan Industrial Tools, Inc.

MUR: 6855

I. INTRODUCTION

This matter was generated by a complaint filed by Stephen L. Grimm alleging that Rep. Justin Amash, Justin Amash for Congress and Stacey Chalfoun in her official capacity as treasurer (the "Committee"), and Michigan Industrial Tools, Inc. ("MIT") violated the Federal Election Campaign Act, as amended (the "Act") in connection with a prohibited corporate contribution.

As discussed below, the available information indicates that the compensation that MIT paid to Amash was not a contribution. Accordingly, the Commission finds no reason to believe that MIT violated 52 U.S.C. § 30118(a) (formerly 2 U.S.C. § 441b(a)) and closes the file.

II. FACTS

Justin Amash is the Representative from Michigan's 3rd Congressional District. Justin Amash for Congress is Amash's principal campaign committee.¹ MIT is a hand tool business owned by members of the Amash family.²

Amash began working as a consultant for MIT in 2007.³ According to his response, his compensation was based on "contributions to the company and has not been tied directly to

¹ See Committee Statement of Organization, 1-2 (Feb. 19, 2010).

² Amash Resp. at 3 (Sep. 5, 2014). Amash's father started MIT, and Amash's two brothers are employees.
Id.

³ *Id.* at 6.

1 hours worked.”⁴ Amash was compensated \$140,000 in 2007, \$135,000 in 2008, and \$60,000 in
2 2009. According to Amash, the amounts of compensation were based on “a number of factors
3 including: talent and ability, hours worked, and specific contributions.”⁵ Amash continued
4 receiving compensation from MIT after he became a candidate for Congress in 2010. Amash
5 asserts that his continued employment with MIT constituted *bona fide* employment, and his
6 compensation was determined by the same factors as in prior years.⁶ His base salary during
7 2010 was \$60,000.⁷ Amash, along with his brothers, also received a “mid-year performance
8 bonus” of \$40,000 due to “unexpectedly high revenue.”⁸ After winning election to Congress,
9 Amash decided to leave the company. MIT paid him a \$100,000 year-end bonus on December
10 27, 2010 “to recognize his contributions to the company and, especially, his leading role the prior
11 year in creating” MIT’s top-selling line of hand tools for 2010.⁹

12 The Complaint alleges that \$180,000 of the compensation Amash received in 2010 “was
13 in excess of any reasonable amount he could have earned for his work.”¹⁰ Therefore, the
14 Complaint concludes, that Amash may have received “potentially improper corporate
15 contributions.”¹¹

⁴ *Id.*

⁵ *Id.*

⁶ *Id.*

⁷ *Id.* at 4. Amash received \$20,000 of his base salary during the first four months of 2010. Compl. at 1 (July 18, 2014).

⁸ Amash Resp. at 4.

⁹ *Id.*

¹⁰ Compl. at 2.

¹¹ Although the Complaint states that Amash “should have received” \$40,000 in base salary after May 1, 2010, the Complaint nevertheless includes that figure in arriving at a total amount in violation of \$180,000.

1 Amash and the Committee filed a response arguing that the Complaint is deficient on its
2 face because it alleges only that a violation has “potentially” occurred, and not that a violation
3 “has occurred.”¹² The Respondents also assert that the Complaint is insufficient because it lacks
4 specific facts and forces them “into responding to pure speculation.”¹³ Amash further argues that
5 in any event, the \$200,000 Amash received during 2010 is “in line with his compensation in past
6 years and consistent with the company’s policies.”¹⁴ Amash and the Committee deny that any
7 part of Amash’s compensation was a contribution, because the compensation resulted from
8 “*bona fide* employment that was genuinely independent” of Amash’s candidacy; that Amash’s
9 duties as a consultant to MIT did not change after he became a candidate; that any fees paid to
10 Amash during 2010 were in consideration for services provided to MIT; and that Amash was
11 compensated in accordance with the established compensation plan of MIT in 2010.¹⁵

12 MIT filed a response stating that it intended to stand on the response filed by Amash and
13 the Committee.¹⁶

14 III. ANALYSIS

15 Corporations are prohibited from making contributions to federal candidates or their
16 authorized committees, and candidates and authorized committees are prohibited from
17 knowingly receiving or accepting such contributions.¹⁷ Under section 30118 (formerly section

¹² Amash Resp. at 5.

¹³ Amash Resp. at 5.

¹⁴ *Id.* at 2.

¹⁵ *Id.* at 6-7.

¹⁶ MIT Resp. at 1 (Sep. 8, 2014).

¹⁷ 52 U.S.C. § 30118(a) (formerly 2 U.S.C. § 441b(a)); 11 C.F.R. § 114.2(a) and (b)(1).

1 441b) of the Act, the term “contribution” includes “any gift, loan, advance, or deposit of money
2 or anything of value made by any person for the purpose of influencing any election for Federal
3 office,” and “any direct or indirect payment, distribution, loan, advance, deposit, or gift of
4 money, or any services, or anything of value . . . to any candidate, campaign committee, or
5 political party or organization,” in connection with any election to any Federal office.¹⁸

6 Payments of “compensation” to a candidate “shall be considered contributions” from the
7 payor to the candidate unless: (A) The compensation results from *bona fide* employment that is
8 genuinely independent of the candidacy; (B) The compensation is exclusively in consideration of
9 services provided by the employee as part of this employment; and (C) The compensation does
10 not exceed the amount of compensation which would be paid to any other similarly qualified
11 person for the same work over the same period of time.¹⁹

12 Based on the available information, the compensation paid to Amash by MIT in 2010
13 does not appear to have been a contribution because it satisfies the requirements of 11 C.F.R.
14 § 113.1(g)(6)(iii).

15 With respect to the first requirement, Amash had provided consulting services to MIT —
16 his family’s hand tool business — since 2007. According to the Respondents, Amash and his
17 two brothers were compensated by their father for “their work, assistance with management, and
18 input on strategic direction.”²⁰ There is no information suggesting that his continued

¹⁸ 52 U.S.C. § 30118(b)(2) (formerly 2 U.S.C. § 441b(b)(2)); 11 C.F.R. § 114.2(b)(1).

¹⁹ 11 C.F.R. § 113.1(g)(6)(iii); *see, e.g.*, Advisory Op. 2013-03 (Bilbray-Kohn) (applying section 113.1(g)(6)(iii) to determine whether compensation paid to candidate would be contribution); Advisory Op. 2011-27 (New Mexico Voices for Children) (same); Advisory Op. 2006-13 (Spivack) (same); Advisory Op. 2004-17 (Klein) (same); Advisory Op. 2004-08 (American Sugar Cane League) (same).

²⁰ Amash Resp. at 3.

1 employment by MIT was dependent upon his candidacy, or that the services he provided
2 changed after Amash became a candidate, and the Complaint provides no countervailing
3 evidence. The available information indicates that Amash's compensation resulted from *bona*
4 *fide* employment that was genuinely independent of his candidacy.²¹

5 Regarding the second requirement — that the compensation is exclusively in
6 consideration of services provided by the employee as part of his employment — we have no
7 information suggesting that Amash was compensated for activities he undertook as a candidate,
8 or that MIT hired him with the intention of advancing his political career.²² Although the
9 Respondents do not provide a detailed breakdown of Amash's duties for MIT throughout 2010,
10 neither does the Complaint supply evidence that Amash was being compensated by MIT for
11 something other than the services he provided as part of his employment.

12 Regarding the third requirement — that the compensation does not exceed the amount of
13 compensation which would be paid to any other similarly qualified person for the same work
14 over the same period of time — we are in possession of no information indicating that Amash's
15 compensation was excessive. Amash's base salary during his candidacy appears to be roughly in
16 line with his compensation for prior years, and, with respect to his \$40,000 mid-year bonus,
17 equal to that received by his brothers, who were not federal candidates. Even though it appears
18 that Amash received a \$100,000 year-end bonus, the Respondents state that it was tied

²¹ See Advisory Op. 2013-03 (Bilbray-Kohn) at 5 (candidate's consulting arrangement would constitute *bona fide* employment that was "genuinely independent" of her candidacy because the corporation's reasons for retaining the candidate were not dependent upon her candidacy, nor would her duties or compensation change upon becoming a candidate); MUR 5260 (Tester for Senate) (*bona fide* employment where candidate had recruited new business to a law firm and provided documented lobbying and legal services, and had taught classes at university part-time).

²² Advisory Op. 2013-03 (Bilbray-Kohn) at 5; Gen. Counsel's Rpt. at 18-19, 21, MUR 5260 (Tester for Senate).

1 specifically to Amash's earlier work on a line of hand tools that would become the company's
2 most profitable, purportedly generating \$10 million in new sales for MIT.²³ Furthermore, the
3 Respondents state that compensation was determined (in prior years and in 2010) on the basis of
4 several factors, and not only the number of hours worked.²⁴ The Complaint supplies no
5 information to refute this claim.

6 Based on the available information, MIT's compensation to Amash does not appear to be
7 a contribution under 11 C.F.R. § 113.1(g)(6)(iii).²⁵ Accordingly, the Commission finds no
8 reason to believe that MIT violated 52 U.S.C. § 30118(a) (formerly 2 U.S.C. § 441b(a)) by
9 making a prohibited corporate contribution, and closes the file.

²³ Amash Resp. at 4.

²⁴ *Id.* at 3, 7.

²⁵ MUR 6023 (John McCain 2008 Inc.) (severance payments to McCain campaign employee not a contribution where consistent with firm policy and taking into account employee's status with firm); MUR 5260 (Tester for Senate) (*bona fide* employment where candidate had recruited new business to a law firm and provided documented lobbying and legal services, and had taught classes at university part-time).